MGT 411 MONEY AND BANKING SOLVED BY DR ABDUL SABOOR

MGT 411
Assignment 2 Solution

Table: Balance Sheet of a bank holding no excessive reserves

Assets	**Liabilities**
Reserves Rs.15	Deposits Rs.90
Loans Rs.95	Borrowed funds Rs.35
Securities Rs.35	Bank Capital Rs.20

A Customers demands RS.5 million cash withdrawal from the bank
1-Adjusting Assets

Table: Balance Sheet of a bank holding no excessive reserves

A)Withdrawal is met by Selling the securities

Assets	**Liabilities**
Reserves Rs.15	Deposits Rs.85
Loans Rs.95	Borrowed funds Rs.35
Securities Rs.30	Bank Capital Rs.20

Table: Balance Sheet of a bank holding no excessive reserves

B)Withdrawal is met by reducing the loan

Assets	**Liabilities**
Reserves Rs.15	Deposits Rs.85
Loans Rs.90	Borrowed funds Rs.35
Securities Rs.35	Bank Capital Rs.20

2-Adjusting liabilities

Table: Balance Sheet of a bank holding no excessive reserves

A)Withdrawal is met by borrowing

Assets	**Liabilities**
Reserves Rs.15	Deposits Rs.85
Loans Rs.95	Borrowed funds Rs.40
Securities Rs.35	Bank Capital Rs.20

Table: Balance Sheet of a bank holding no excessive reserves

B)Withdrawal is met by attracting deposits

Assets	**Liabilities**
Reserves Rs.15	Deposits Rs.90
Loans Rs.95	Borrowed funds Rs.35
Securities Rs.35	Bank Capital Rs.20